

IDAHO STATE LIQUOR DISPENSARY

***STRATEGIC BUSINESS
P L A N***

Fiscal Year 2005 through Fiscal Year 2009

September 2004

The Idaho State Liquor Dispensary

BACKGROUND INFORMATION

The Idaho State Liquor Dispensary was established in 1935, following the repeal of prohibition, as a means of providing greater control over the distribution, sale, and consumption of alcoholic beverages. Organizationally, the Dispensary has been a division of the Office of the Governor since 1974. Idaho is one of 19 control jurisdictions in the nation (18 states and one county) where government is directly responsible for regulating the sale of alcoholic beverages. The purpose of state control is to make liquor available to those adults who choose to drink responsibly without promoting intemperance.

The Dispensary operates 150 retail outlets throughout the State. Of those, 52 are State liquor stores staffed and operated by Dispensary employees, and 98 are contract agency stores. Stores are typically open from 11:00 a.m. to 7:00 p.m., Monday through Saturday. A few stores are open from 10:00 a.m. to 9:00 p.m. for customer service. The largest store sells over \$4 million annually. Each store is stocked with the customer in mind, featuring selections of products specific to the tastes of the local communities they serve. All products are uniformly priced throughout the state.

The Dispensary is staffed by 160 full-time positions and between 80 and 100 part-time employees, depending on the season. One-hundred seventeen full-time positions operate the 52 existing state liquor stores, supported by the part-time employees. Another four positions will operate two new stores opening in 2005. Twelve employees work in the warehouse moving 800,000 cases in and out of the warehouse annually. Twenty-seven employees work in the Central Office performing purchasing, accounting, information technology, human resources and administrative functions.

In FY 2004, the Dispensary distributed \$27.8 million in profits to government entities as follows:

Cities	\$10,458,000.00
Counties	6,972,000.00
General Fund	4,945,000.00
Welfare Fund	650,000.00
Alcohol Treatment Fund	1,200,000.00
Public Schools	1,200,000.00
Community Colleges	300,000.00
Drug Court and Family Court Services Fund	<u>2,049,932.00</u>
Total Distributions	\$27,774,932.00

Effective July 1, 2003, the Legislature imposed a 2% surcharge on our prices to fund the Drug Court and Family Court Services Fund. Overall, the Dispensary distributes \$2.20 in profits for every dollar it spends for operating costs.

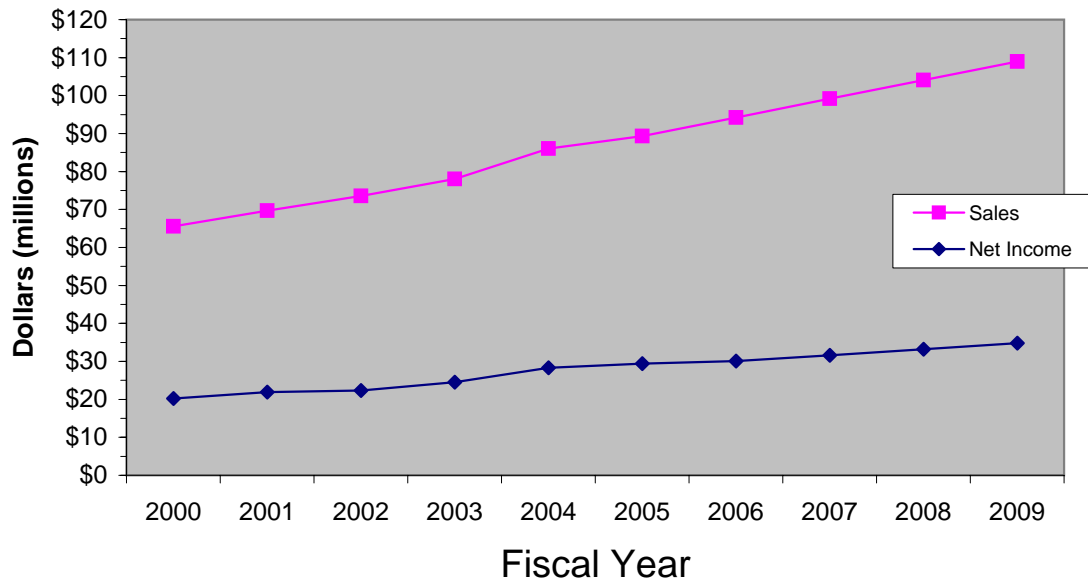
EXECUTIVE SUMMARY

Population growth and increasing customer demands for new products continue to place stress on our organization, particularly at the retail and warehouse levels. FY 2004 sales increased by 10.3% over FY 2003. Several well-established stores experienced double-digit growth (by as much as 17%).

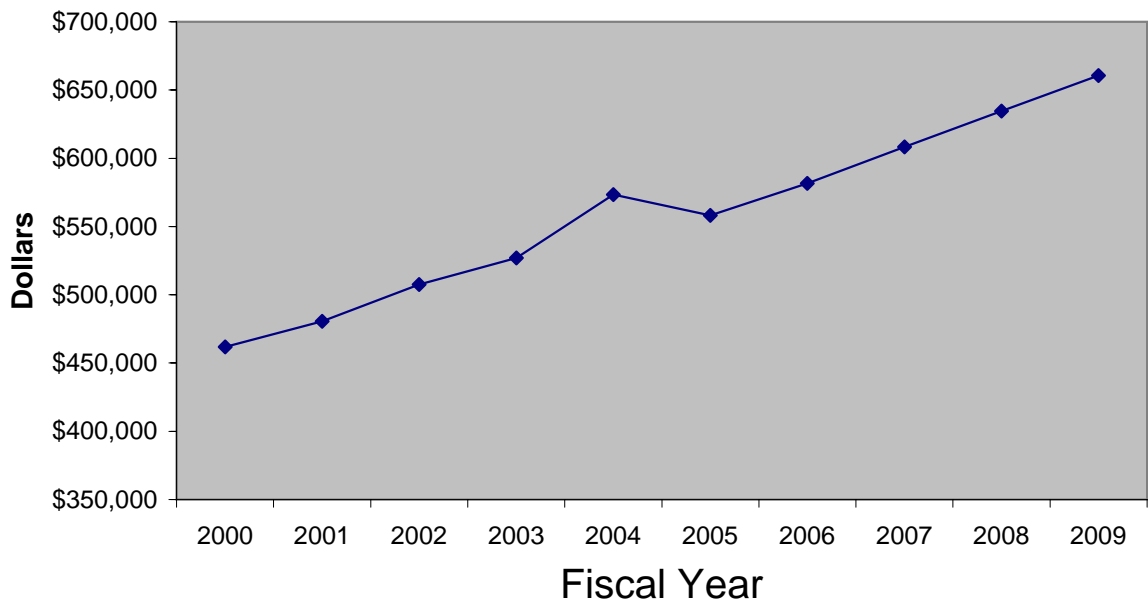
Sales per full time equivalent position (FTP) increased 30% over the last five years, showing substantial increases in efficiency. Our overall compensation (salaries and benefits) to sales ratio has decreased steadily over the last five years from 8.7% to 8.0% in FY 2004. This measure of productivity compares favorably with industry-wide ratios for similar businesses. According to the August 2003 Controller's Report, the nationwide median ratio is 9.8% for retail businesses.

Our most critical need is to staff our warehouse and existing stores in order to meet the needs of our growing population and customer demands. We also have the need for additional stores in the Boise, Meridian, and Hayden Lake and Pocatello areas. As newer stores continue to mature in sales, we will need added staffing to supplement the two employees assigned to each new store. Sunday sales are also now permitted by local county option, which will further affect the demands on our stores. We will request added staffing in our FY 2006 budget to prepare us for continued growth.

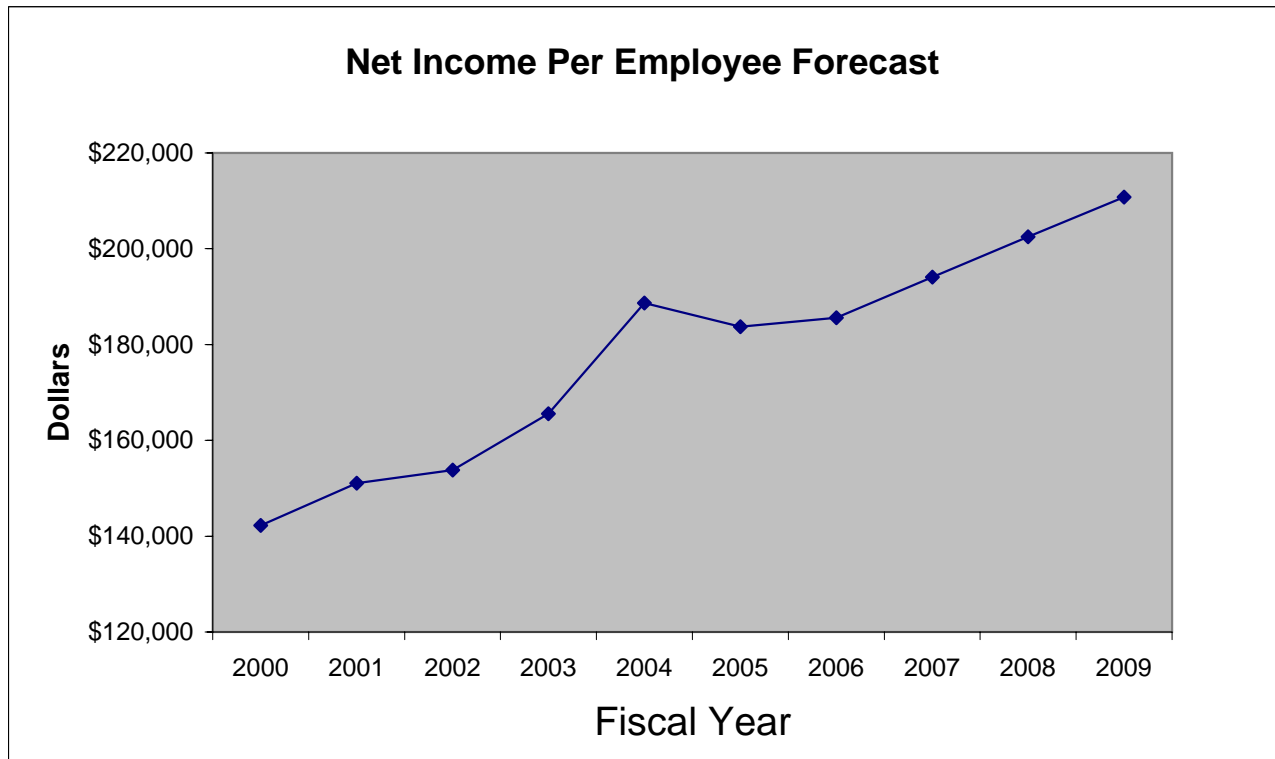
Sales and Net Income Forecast



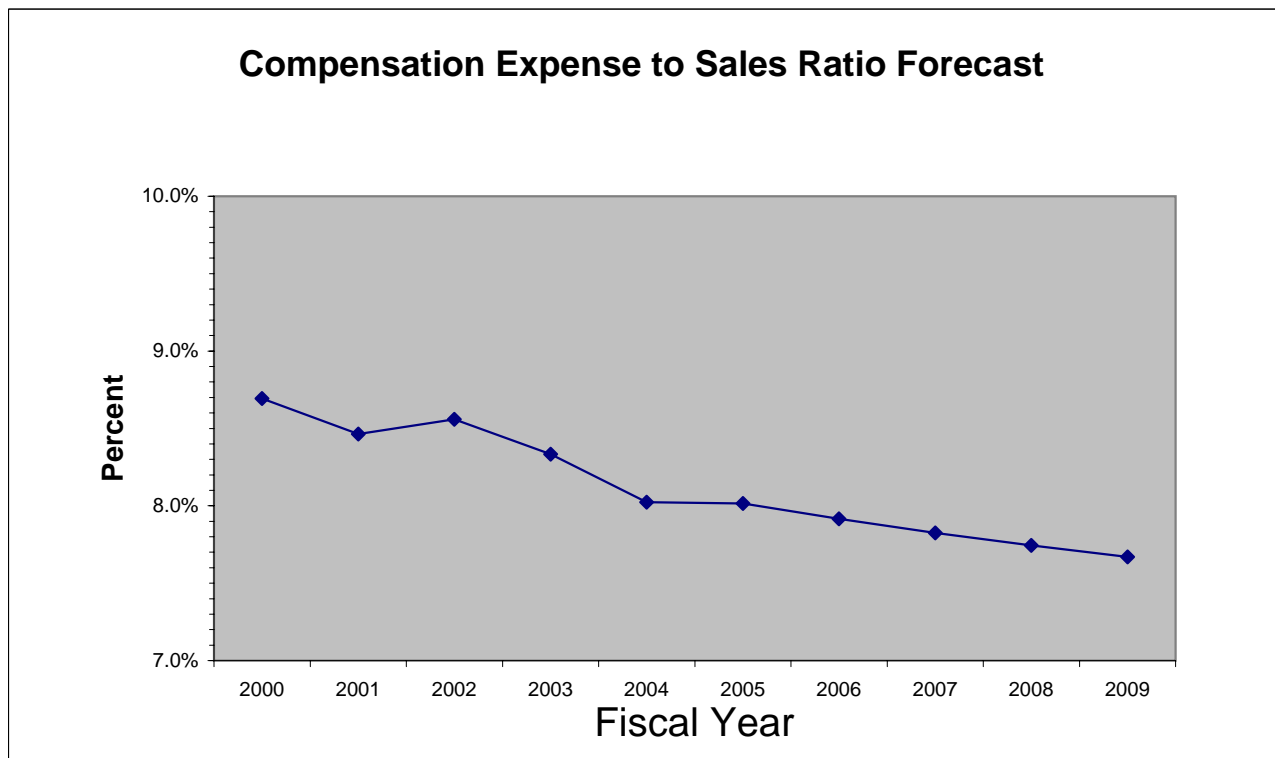
Sales Per Employee Forecast



The most recent figures available indicate that average dollar sales per employee is \$587,000 in the Alcohol Beverage Industry and \$500,000 in the Retail Trade Industry. The Liquor Dispensary average of \$573,000 in FY'04 is projected to reach \$660,000 by 2009.



The most recent figures available indicate that average net income per employee is \$67,000 in the Alcohol Beverage Industry and \$16,000 in the Retail Trade Industry. The Liquor Dispensary average of \$189,000 in FY'04 is projected to reach \$211,000 by 2009.



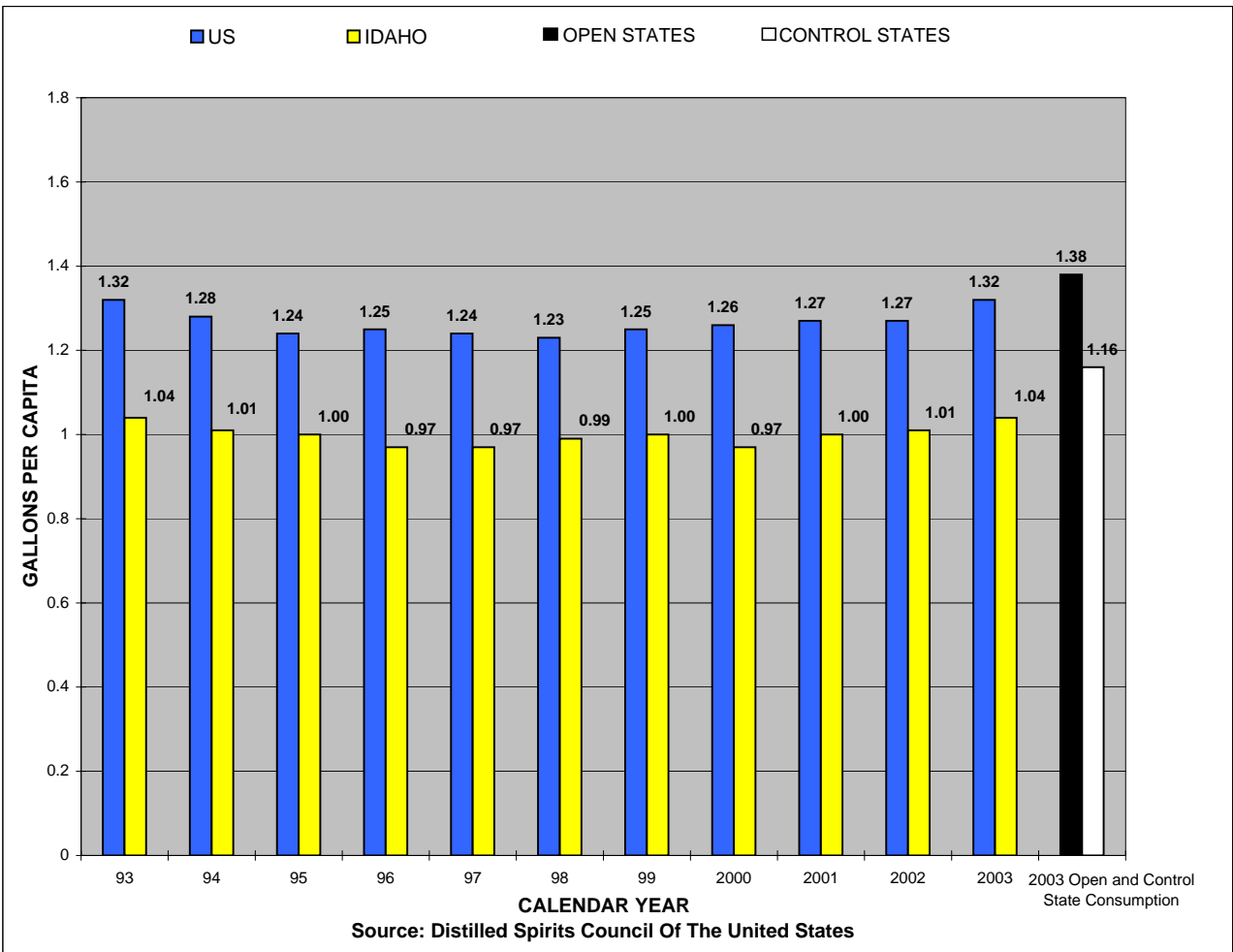
The most recent figures available indicate that the average compensation expense to sales ratio is 8.9% in the Alcohol Beverage Industry and 9.8% in the Retail Trade Industry. The Liquor Dispensary ratio of compensation expense to sales of 8.0% in FY'04 is projected to decrease to 7.7% by 2009.

PERFORMANCE INDICATORS AND OUTCOMES

	ACTUAL RESULTS					PROJECTED RESULTS				
<u>GOAL 1</u> <i>Maintain Moderate Consumption</i>	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Per Capita Consumption (Gallons):										
Open states	1.32	1.32	1.33	1.38	1.38*	1.38	1.38	1.38	1.38	1.38
Idaho	0.97	1.00	1.01	1.04	1.04*	1.04	1.04	1.04	1.04	1.04
<u>GOAL 2</u> <i>Provide Customer Service And A Reasonable Selection of Products</i>										
Listing Meetings	2	2	2	2	2	3	3	3	3	3
New Products	57	44	80	47	57	60	60	60	60	60
<u>GOAL 3</u> <i>Maximize Profits & Distributions</i>										
Net Income (Millions)	\$20.2	\$21.9	\$22.3	\$24.5	\$28.3	30.0	31.0	32.5	34.5	36.0

* Estimates, actual results not yet available

United States And Idaho Apparent Per Capita Consumption Of Distilled Spirits



Apparent per capita consumption is based on total population and not adults age 21 and over. Statistics are based on point of sale and do not take into account cross-border traffic in distilled spirits. Consumption in Idaho was 1.04 gallons in 2003 compared with 1.16 gallons for all control states and 1.38 gallons in open states. Consumption in open states is 19% more than in all control states and 33% more than in Idaho.

FY 2004 PLAN AND OUTCOMES

FY 2004 PLAN:

1. Request funding to complete replacement of last one-third of the POS systems.
2. Request funds for additional Warehouse staff.
3. Request funding for additional stores in Boise, Meridian and Hayden Lake areas.

FY 2004 OUTCOMES:

1. The Dispensary completed replacement of the POS systems using cost savings in its FY 2004 Budget.
2. The Legislature approved two new positions for the Warehouse in the Dispensary's Budget.
3. The Dispensary received budget approval in its FY 2005 Budget to open two new stores.

FY 2005 PLAN

1. The original plan was to replace one-third of the POS systems. This was completed by using savings from the Dispensary's FY 2004 Budget.

The amended FY 2005 Plan is to request funding for two additional stores in the Pocatello, Boise or Hayden Lake areas and to request funding for Sunday sales in selected stores.

FY 2006 PLAN

1. Request funding to expand the Warehouse.
2. Request funding to replace all POS systems.
3. Request funding for week-end/evening help desk in IT.

FY 2007 PLAN

1. Request funding for two new stores in Boise/Meridian and Coeur d'Alene areas.
2. Request funding to automate the Warehouse.

FY 2004 PLAN AND OUTCOMES

FY 2008 PLAN

1. Request funding for Warehouse positions.

FY 2009 PLAN

1. Request funding to replace POS systems